

# EXHIBIT C

**ACTS**  
**Retirement-Life**  
**Communities®**

July 9, 2009

Lehman Brothers Special Financing, Inc.  
c/o Lehman Brothers Holdings Inc.  
1271 Sixth Avenue, 40<sup>th</sup> Floor  
New York, New York 10020  
Attention: Derivatives Legal

**Via Hand Delivery**

**Re: Settlement Amount - 1992 ISDA Master Agreement between Lehman Brothers Special Financing Inc. and ACTS Retirement-Life Communities, Inc., dated November 27, 2001**

Dear Sir or Madam:

We refer to the 1992 ISDA Master Agreement (the "Master Agreement"), Credit Support Annex, and Confirmation between Lehman Brothers Special Financing Inc. ("LBSF") and ACTS Retirement-Life Communities, Inc. ("ACTS") dated November 27, 2001 (collectively the "Agreement"). Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Agreement.

Pursuant to the terms and conditions of the Agreement, on July 2, 2009 ACTS notified LBSF (copy of notification attached as Exhibit A hereto) that (i) an Event of Default has occurred pursuant to Section 5(a)(vii) of the Agreement and was continuing and (ii) it was designating July 2, 2009 as the Early Termination Date with respect to all Transactions under the Agreement.

Pursuant to Section 6(e)(i)(3) of the Agreement, ACTS attempted to utilize the Second Method and Market Quotation to determine the Settlement Amount. ACTS received fewer than three (3) quotations required to utilize the Second Method Market Quotation; therefore ACTS was required to utilize Loss to determine the Settlement Amount. Utilizing Loss, ACTS determines (as described in reasonable detail in Annex A hereto) that the Settlement Amount is \$-0-.

In connection with the termination of the Agreement, ACTS is owed by LBSH a net aggregate amount of \$352,036.32 representing the Settlement Amount (\$-0-), plus all outstanding amounts due and owing under the Agreement (\$34,265.92), plus reasonable out-of-pocket expenses, including legal fees, incurred by ACTS in connection with the early termination of the Agreement (\$24,305.60) and plus ACTS' loss as of this date arising from LBSF's failure to honor its obligations under the Reserve Fund Agreement between ACTS and LBSF dated December 18, 2002 (\$293,464.80).

Yours respectfully,

ACTS Retirement-Life Communities, Inc.



Gerald T. Grant  
Executive Vice President & CFO

cc: Lehman Brothers Special Financing, Inc.  
c/o Lehman Brothers, Inc.  
Legal, Compliance and Audit Group; Capital Market Contracts - Legal  
1271 Avenue of the Americas 43<sup>rd</sup> Floor  
New York, NY 10020-1300

**ACTS Retirement-Life Communities, Inc.®**

375 Morris Road, P.O. Box 90, West Point, PA 19486-0090  
Phone: 215-661-8330 Fax: 215-661-8320  
www.ACTSretirement.com

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Retirement-Life  
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Lehman Brothers Special Financing Inc.  
c/o Lehman Brothers Holdings Inc.  
1271 Sixth Avenue, 40<sup>th</sup> Floor  
New York, New York 10020  
Attention: Derivatives Legal

Lehman Brothers Special Financing, Inc.  
101 Hudson Street, 29<sup>th</sup> Floor  
Jersey City, New Jersey 07302  
Attn: Municipal Financial Products – Middle Office

July 2, 2009

**Via Hand Delivery with Originals to Follow by U.S. Mail**

**Re: Notice of Early Termination Date - 1992 ISDA Master Agreement between Lehman Brothers Special Financing Inc. and ACTS Retirement-Life Communities, Inc. dated November 27, 2001**

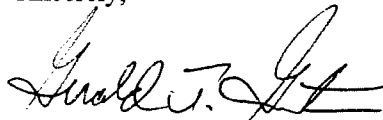
We refer to the 1992 ISDA Master Agreement (the “Master Agreement”) between Lehman Brothers Special Financing Inc. (the “Defaulting Party”) and ACTS Retirement-Life Communities, Inc. (the “Non-defaulting Party”) dated November 27, 2001. Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Master Agreement.

We hereby declare that a Bankruptcy Event of Default has occurred with respect to the Defaulting Party under Section 5(a)(vii) of the Master Agreement and such Event of Default is still continuing. Pursuant to Section 6(a) of the Master Agreement, we hereby designate July 2, 2009 as the Early Termination Date with respect to all Transactions under the Master Agreement.

On or as soon as reasonably practicable following the Early Termination Date, the Non-defaulting Party will provide you with the statement of the amount due from you in respect of the Early Termination Date that is required by Section 6(d)(i) of the Master Agreement.

We reserve all rights and remedies under the Master Agreement or at law, including, without limitation, to declare you to be in default in respect of any other default that may occur under the terms of the Master Agreement, and all rights we, or any of our affiliates, may have with respect to other transactions and other agreements with you or your affiliates. We shall be entitled to any losses, costs, expenses, damages and interest provided by the Master Agreement or at law.

Sincerely,



Gerald T. Grant  
Executive Vice President  
ACTS Retirement-Life Communities, Inc.

**ACTS Retirement-Life Communities, Inc.®**

375 Morris Road, P.O. Box 90, West Point, PA 19486-0090  
Phone: 215-661-8330 Fax: 215-661-8320  
www.ACTSretirement.com



cc: Lehman Brothers Special Financing, Inc.  
c/o Lehman Brothers, Inc.  
Legal, Compliance and Audit Group  
Capital Market Contracts - Legal  
1271 Avenue of the Americas 43<sup>rd</sup> Floor  
New York, NY 10020-1300

**ACTS Retirement-Life Communities, Inc.**

375 Morris Road, P.O. Box 90, West Point, PA 19486-0090  
Phone: 215-661-8330 Human Resources Fax: 215-661-0801  
[www.acts-retirement.org](http://www.acts-retirement.org)

**ANNEX A**

**DESCRIPTION OF ANALYSIS TO VALUE LOSS**

Loss was determined in conjunction with the solicitation of bids from multiple Referenced Market-makers to provide a replacement swap at terms identical to those contained in the Agreement (hereafter referred to as a "Replacement Swap"). In December of 2008 and again in July of 2009, these solicitations yielded no bids in which a payment to or from a Referenced Marker-maker was offered in exchange for entering into a Replacement Swap. In declining to bid on a Replacement Swap, Referenced Market-makers indicated that the credit terms under which the Replacement Swap was offered (again identical to those contained in the Agreement) were unacceptable. Unable to secure any quotation of relevant rates or prices from one or more leading dealers in this market, Loss was determined to be \$0.

**Shipment Tracking Shipment Details**

**User Name:**  
**Company:** LATHAM & WATKINS

**Urban Express**

**212-855-5555**

**Control Number:** 2309340

**eTrac Number:** 72462088



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Submitter Information		Shipping Information	
<b>Account:</b>	8853	<b>Service Type:</b>	WALKER REQ 1 HR
<b>Name:</b>	LATHAM & WATKINS	<b>Return Service:</b>	None
<b>Requested By:</b>	SPAYNE	<b>Pieces:</b>	1
<b>Reference:</b>	046971-0001	<b>Weight:</b>	1.0 Lbs.
<b>BOL No.:</b>	07731	<b>Charges:</b>	19.98
<b>Entered:</b>	10-JUL-2009 14:14	<b>Quote:</b>	19.98
<b>Last Updated:</b>	11-JUL-2009 00:32 (EST)	<b>Declared Value:</b>	100.00
		Note: Charges are subject to final billing and invoice audit.	
Pick Up From		Deliver To	
LATHAM & WATKINS LLP MAILROOM 885 3RD AVE 3RD FLOOR NEW YORK, NY 10022 <b>Phone:</b> 212-906-1219		LEHMAN BROTHERS INC. LEGAL COMPLIANCE 1271 6TH AVE 43RD FLOOR NEW YORK, NY 10020	
Pickup Details		Delivery Details	
<b>Requested Date:</b>	10-JUL-2009	<b>Requested Date:</b>	10-JUL-2009
<b>Ready Time:</b>	NOW	<b>Deliver By:</b>	15:14
(No Pickup Instructions)		(No Delivery Instructions)	
<b>Actual Date:</b>	10-JUL-2009	<b>Actual Date:</b>	10-JUL-2009
<b>Arrival Time:</b>	14:32	<b>Arrival Time:</b>	15:17
<b>Departure Time:</b>	14:32	<b>Departure Time:</b>	15:17
		<b>Signature:</b>	RENTAS

**Shipment Tracking** Shipment Details

**User Name:**  
**Company:** LATHAM & WATKINS

**Urban Express**

**212-855-5555**

**Control Number:** 2309312

**eTrac Number:** 72461879



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[\(Select Printable Label\)](#)

Submitter Information		Shipping Information	
<b>Account:</b>	8853	<b>Service Type:</b>	WALKER REQ 1 HR
<b>Name:</b>	LATHAM & WATKINS	<b>Return Service:</b>	None
<b>Requested By:</b>	SPAYNE	<b>Pieces:</b>	1
<b>Reference:</b>	046917-0001	<b>Weight:</b>	1.0 Lbs.
<b>BOL No.:</b>	01731	<b>Charges:</b>	19.98
<b>Entered:</b>	10-JUL-2009 14:11	<b>Quote:</b>	19.98
<b>Last Updated:</b>	11-JUL-2009 00:32 (EST)	<b>Declared Value:</b>	100.00
		<b>Note:</b> Charges are subject to final billing and invoice audit.	
Pick Up From		Deliver To	
LATHAM & WATKINS LLP MAILROOM 885 3RD AVE 3RD FLOOR NEW YORK, NY 10022 <b>Phone:</b> 212-906-1219		LEHMAN BROTHERS INC. DERIVATIVES LEGA 1271 6TH AVE 40TH FLOOR NEW YORK, NY 10020	
Pickup Details		Delivery Details	
<b>Requested Date:</b>	10-JUL-2009	<b>Requested Date:</b>	10-JUL-2009
<b>Ready Time:</b>	NOW	<b>Deliver By:</b>	15:11
(No Pickup Instructions)		(No Delivery Instructions)	
<b>Actual Date:</b>	10-JUL-2009	<b>Actual Date:</b>	10-JUL-2009
<b>Arrival Time:</b>	14:31	<b>Arrival Time:</b>	15:17
<b>Departure Time:</b>	14:31	<b>Departure Time:</b>	15:17
		<b>Signature:</b>	RENTAS